



## City of Biggs

### **Agenda Item Staff Report for the Regular City Council Meeting: October 3, 2011 6:00PM**

DATE: September 28, 2011  
TO: Honorable Mayor and Members of the City Council  
FROM: Pete Carr, City Administrator/Finance  
SUBJECT: Health Insurance Benefits -- Continued (Discussion/Action)

Continuation of previous Council discussion about the City's health insurance benefits -- what plans are being offered and at what cost contribution rates -- for bargaining and non-bargaining unit employees.

#### **Background**

*Please see September 19 staff report and minutes for more background.*

At the September meeting, City Administrator reported that bargaining unit employees were appreciative of the Council's offer to cap costs at a PPO premium with out-of-pocket expense exposures covered by an HRA (health reimbursement account). These employees are interested in this arrangement if the City's cost contribution is capped at 85% of PERS Choice, but not if the cap is at the lower value PERS Select.

Administrator also reported that bargaining unit employees prefer to stay with 85/15 cost share for all three plans including the Access+ HMO, as is the current arrangement, for 2012. These employees would like to reconsider the PPO-cap offer in mid-2012 for 2013.

Council agreed the two groups could have different arrangements for cost contributions, directed Administrator to remain open to discussing insurance options with the bargaining unit employees, and suggested that Councilmember Sheppard might seek a meeting with the shop steward or all union employees in this regard.

The non-bargaining unit employees' position today remains as stated on September 19, and these employees request clear definition of the cost cap at this time by Council. Bargaining unit shop steward reports no change in the union position. Annual open enrollment is Oct 4-Nov 8.

If City cost is capped at Select PPO, only enrollment in the Select plan with an HRA works out at all for employees – and even then it is break-even with what their premiums would have been for select without the program. Enrollment in Choice PPO or the HMO would cost significantly more than staying with the HMO at 85/15 share. City would save approximately \$20,000 in premiums and fund an HRA for up to \$24,000. It is anticipated that HRA actual costs will be closer to ½ the funded amount, depending on employee incurrence of expenses.

If City caps cost at Choice PPO, employees would benefit from enrollment in either Choice or Select. City would save \$13,000 in premiums and fund an HRA for up to \$24,000. This option requires more risk for City but provides best options for employees.

Attachment: Premium comparison summary spreadsheet (1 page).

### **Recommendation**

Approve City cost cap for non-bargaining unit employees for 2012 at 85% of PERS Choice PPO plan, with other the two optional plans available at fully offset or credit cost to employee, respectively, and establishment of HRA to cover potential out-of-pocket associated with PPO plans above that of the HMO plan. Adopt draft HRA terms as presented.

Define whether this applies to 2012 only, or to 2012 and 2013; if 2013 is included, define whether this is at 85% or 80% cost contribution.

No change is recommended to bargaining unit employee health premiums for 2012. Acknowledge union willingness to reconsider offer in mid-2012 for 2013.

### **Fiscal Impact:**

Probably modest net savings for City in health benefits expense compared to budget and to previous year, with lower premiums for all employees being partially offset by unknown but limited cost of an HRA. Surplus funds in the HRA will remain City assets and will earn investment interest.

# 2012 Biggs Health Insurance Options Summary -- Premium Comparisons 9.27.11

Contribution Rate	Plan	Cost to City			Cost to Employee		
		Ee Only	Ee + 1	Fam	Ee Only	Ee + 1	Fam
Share is 90% of any plan	2011 Access+ HMO @ 90/10%	617	1,234	1,605	69	137	178
Share is 85% of any plan, no HRA	2012 Access+ HMO @ 85/15%	599	1198	1557	106	211	275
	Choice PPO	475	951	1,236	84	168	218
	Select PPO	404	807	1049	71	142	185
Cap is 85% of Select w/HRA	Access+ HMO	404	807	1,049	301	602	783
	Choice PPO	404	807	1,049	155	312	405
	Select PPO	404	807	1049	71	142	185
Cap is 85% of Choice w/HRA	Access+ HMO	475	951	1,236	230	458	596
	Choice PPO	475	951	1236	84	168	218
	Select PPO	475	951	1236	0	0	0

## HRA draft terms:

The City will establish a dedicated fund sufficient to cover exposure of employees to PPO charges incurred above that which would have been incurred under the HMO plan. Employees will continue to be liable for the \$15 office co-pay and other charges incurred under the HMO plan; City will reimburse employees for expenses beyond those of HMO plan. City will employ a third party with debit-card-type transactions to facilitate the reimbursements without cash outlay by employees.